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SUBJECT: TRADE OFFICIAL COMMENTS ON PHARMACEUTICALS,
GSP, AND THE BILATERAL TRADE RELATIONSHIP

Ref: State 66948

Summary

11. (SBU) Econoff met with Foreign Trade Undersecretariat (FTU) Deputy Director General for Agreements Osman Bekaroglu to deliver reftel demarche on anti-schizophrenia drug Zyprexa. Bekaroglu said that the Health Ministry was well aware of the sensitivities involved in the Zyprexa issue. With regard to the possible PhRMA petition to restrict GSP benefits for Turkey, Bekaroglu responded that the GSP program was of limited benefit to Turkey. However, Bekaroglu told us that FTU planned to give higher priority to trade with the United States, and would announce a promotion strategy later this year. End Summary.

Pharmaceuticals and Special 301

12. (SBU) Meeting with Osman Bekaroglu, FTU Deputy Director General for Agreements, on April 15, Econoff made reftel points and also provided a copy of Senator Lugar's April 13 letter to FM Gul on Zyprexa. Note: Embassy has also faxed copies of reftel talking points to the Health, Foreign Affairs, and Justice Ministries, as well as the Turkish Patent Institute. End Note. Econoff stressed that U.S. drug companies may petition the USG to deny or restrict Generalized System of Preferences (GSP) benefits for Turkey as a result of weaknesses in intellectual property protection. He also noted that U.S. pharmaceutical companies in Turkey recently reported that the Health Ministry was planning to strengthen protection afforded by the January 2005 data exclusivity regulation, possibly by affording protection to off-patent drugs. Econoff pointed out that Washington would announce the results of the 2005 review by early May, and suggested that it would be to Turkey's benefit to implement any positive steps under consideration within this timeframe, if possible.

13. (U) Bekaroglu responded that FTU was coordinating a multi-agency response to U.S. industries' Special 301 submissions, and hoped to transmit this to us next week. He related that the Health Ministry's maintained that the data exclusivity regulation complies fully with the terms of the EU Customs Union Agreement, and said that the Ministry was well aware of the sensitivity of the Zyprexa issue. Econoff responded that the EC's concerns about the data exclusivity regulation are similar to our own, particularly with respect to lack of protection for non-patented drugs and for molecules registered before 2005 for which a generic application had been filed.

14. (U) Note: Embassy faxed the Health Ministry's written comments to EB/IPE. In addition to providing its rationale on the data exclusivity regulation, the Ministry contradicts PhRMA's assertion concerning a ten percent price preference for drugs using domestic raw materials; this preference was cancelled in 2004. End Note.

15. (SBU) Commenting on a possible PhRMA GSP petition, Bekaroglu opined that the program was of limited benefit to Turkey. Referring to a recent study by FTU, he stated that some 30 percent of Turkish exporters were not aware of the program and did not pursue its benefits. Furthermore, despite the high value of Turkish exports under GSP, the actual benefit in waived tariffs was "only" about USD 50 million annually, with the jewelry and travertine industries as the leading beneficiaries.

New U.S. Trade Strategy

16. (U) Bekaroglu told Econoff that FTU was crafting a new strategy to boost trade with the United States beginning in 2006. The strategy will target five states (New York, Texas, California, Illinois and Florida) and would involve posting five new Turkish commercial officers to the U.S. Bekaroglu said that Minister Tuzmen or Undersecretary Kayalar would host a press conference, probably in the fall of 2005, to announce the strategy.

17. (U) Econoff reiterated USG interest in holding a meeting of the Trade and Investment Framework Agreement (TIFA) Council. Bekaroglu responded that he was working with the FTU Undersecretary's Office to identify possible TIFA dates and would send us a proposal.

Comment

18. (SBU) Bekaroglu remarks on GSP are surprising, given longstanding Turkish interest in expanding the scope of its benefits, their efforts to educate Turkish companies about the program, and the trade bureaucracy's strategic priority of boosting bilateral trade. However, his comments highlight the apparent disparity in political and economic weight between the industries that would be hurt by loss of GSP (jewelry, building stone and a host of smaller exporters) and the one that has the most to lose as a consequence of stronger IP rights (the huge generic drug industry).
EDELMAN